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Message Text

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DEPARTMENT PASS AGRICULTURE OGSM/FAS

E.O. 11652: N/A
TAGS: EAGR, PO
SUBJECT: FY 1977 PL-480, TITLE I PROPOSED AGREEMENT

REF: (A) STATE 238111, (B) STATE 248953

1. GOP ANXIOUSLY WAITING TO INITIATE NEGOTIATIONS ON FY 1977 PL-480 PROGRAM. WE WILL BEGIN FORMAL DISCUSSIONS AS SOON AS DEPARTMENT AUTHORIZATION RECEIVED. ANY SUBSTANTIAL DELAYS WOULD PREVENT GOP FROM MEETING NOVEMBER/DECEMBER SCHEDULE OUTLINED REF B.

2. GOP NEGOTIATORS ARE VIRTUALLY CERTAIN TO REQUEST THAT GRACE PERIOD FOR REPAYMENT BE EXTENDED FROM ONE TO TWO YEARS (PART II, ITEM II, NUMBER 5), AS WAS DONE FOR TITLE I AGREEMENT OF MARCH 18, 1976. GIVEN PORTUGAL'S BALANCE OF PAYMENTS SITUATION, EMBASSY WOULD LIKE TO RESPOND POSITIVELY TO SUCH A REQUEST. WE WOULD, THEREFORE, APPRECIATE WASHINGTON AGENCIES RESTUDYING THIS ISSUE AND AUTHORIZING A GRACE PERIOD OF TWO YEARS IF THE GOP SO REQUESTS.

3. EMBASSY PROPOSES THE FOLLOWING CHANGES FOR SELF-HELP MEASURES LISTED REF A FOR PART II, ITEM V, SECTION B: B1) "CONSTRUCT BULK GRAIN HANDLING FACILITIES AT AN
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APPROPRIATE DEEP-WATER PORT." EMBASSY BELIEVES SUCH

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FACILITIES, IN ORDER TO MAXIMIZE EFFICIENCY, SHOULD
BE STRUCTURED TO HANDLE RICE AS WELL AS OTHER GRAINS.
WE ALSO RECOMMEND ELIMINATION OF SECOND SENTENCE
WHICH READS "THIS WOULD PROVIDE...THROUGH SPAIN."
THIS SENTENCE, THOUGH HELPING TO JUSTIFY THE PROJECT,
DOES NOT APPEAR ESSENTIAL TO THE AGREEMENT. IT
WOULD, ON THE OTHER HAND, SPARK CONSIDERABLE
CRITICISM FROM PORTUGUESE CIRCLES OPPOSED TO THE
GOVERNMENT.
B2) EMBASSY RECOMMENDS ELIMINATION OF THE WORD "GOOD"
FROM THE SECOND LINE. THIS ADJECTIVE SEEMS UNNECESSARY.
B3) NO CHANGE.

B4) EMBASSY RECOMMENDS ELIMINATION OF THE FINAL PHRASE
"AND FAMILY PLANNING". WHILE GOP HAS PLANS FOR EXPANDING FAMILY
PLANNING SERVICES AS PART OF INTEGRATED HEALTH SYSTEM,
ISSUE IS A POLITICALLY DIFFICULT ONE IN WHICH USG
INVOLVEMENT CAN ONLY HINDER RATHER THAN HELP IN
ACHIEVING RESULTS. IT SHOULD BE NOTED, MOREOVER,
THAT PORTUGAL'S POPULATION GROWTH, EXCLUDING RETURNEES
FROM THE COLONIES, HAS BEEN RELATIVELY LOW, I.E.
ABOUT .86 PERCENT PER ANNUM FOR ENTIRE COUNTRY
AND .83 PERCENT FOR THE CONTINENT.

4. IN ADDITION TO ABOVE CHANGES, EMBASSY RECOMMENDS
INCLUSION OF FOLLOWING ADDITIONAL SELF-HELP MEASURES
IN PART II, ITEM V, SECTION B:

B5) "ESTABLISH A NATIONWIDE SERVICE TO PROVIDE
FARMERS WITH FREQUENT, CURRENT MARKET INFORMATION."
PORTUGAL LACKS AN ORGANIZED SYSTEM TO KEEP FARMERS
ABREAST OF CURRENT PRICES AND OTHER MARKETING
DEVELOPMENTS. FARMERS IN THE INTERIOR HAVE LITTLE
KNOWLEDGE OF THE MOST ADVANTAGEOUS MARKETS FOR THEIR
PRODUCTS AND, AS A RESULT, FREQUENTLY SELL THEM TO
INTERMEDIARIES AT UNREALISTICALLY LOW PRICES. AN
EFFECTIVE INFORMATION SYSTEM -- RADIO NEWS SERVICE,
FOR EXAMPLE -- WOULD PERMIT PRIVATE FARMERS TO
MAXIMIZE THEIR RECEIPTS, THEREBY PROVIDING A STIMULUS
FOR INCREASED PRODUCTION.
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B6) "CREATE A SPECIAL LINE OF CREDIT FOR FARMERS, PRIVATE
ENTREPRENEURS, AND PRIVATELY-ORGANIZED COOPERATIVES TO FINANCE
MEDIUM AND LONG TERM INVESTMENTS IN PRODUCTION, PROCESSING,
AND MARKETING FACILITIES, WITH SPECIAL EMPHASIS ON
THE DEVELOPMENT OF AGRO-BUSINESSES." PRIVATE
FARMERS AND COOPERATIVES CURRENTLY HAVE CONSIDERABLE
DIFFICULTY OBTAINING FINANCING FOR THEIR FIXED

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INVESTMENTS. THE PROPOSED CREDIT LINE, BY AUGMENTING AVAILABLE FINANCIAL RESOURCES, WOULD SIGNIFICANTLY BOOST THE DEVELOPMENT OF MODERN, EFFICIENT PRODUCTION METHODS.

5. EMBASSY PROPOSES FOLLOWING ADJUSTMENTS TO PART II, ITEM VI, SECTION A:

A) AFTER THE PHRASE "WILL BE USED", IN LINE 3, ADD "AMONG THE REPORTING COUNTRY'S MAJOR REGIONAL SUBDIVISIONS, APPROXIMATELY IN PROPORTION TO THE GEOGRAPHICAL DISTRIBUTION OF ITS POPULATION,". THIS ADDITION WILL HELP INSURE THAT THE FUNDS ARE UTILIZED THROUGHOUT PORTUGAL, INCLUDING THE POOR NORTHERN AREAS AND THE AUTONOMOUS REGIONS OF MADEIRA AND THE AZORES.

B) FOLLOWING "AGRICULTURE" AS ECONOMIC DEVELOPMENT SECTOR, ADD "AND FISHING". ONE OF THE QUICKEST WAYS FOR PORTUGAL TO INCREASE ITS DOMESTIC FOOD SUPPLY IS TO MODERNIZE ITS ANTIQUATED FISHING FLEET. GOP OFFICIALS, AWARE OF THIS POSSIBILITY, HAVE REPEATEDLY EXPRESSED THEIR DESIRE TO IMPROVE THIS SECTOR, BUT HAVE BEEN HAMPERED BY THE DEARTH OF FINANCIAL RESOURCES. SECTOR IS PARTICULARLY IMPORTANT TO THE AZORES IN WHICH U.S. HAS A SPECIAL INTEREST.

6. EMBASSY WOULD APPRECIATE WASHINGTON RESPONSE ASAP TO ABOVE RECOMMENDATIONS.
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